

**State of Michigan
Department of Treasury**

TAXPAYER RIGHTS HANDBOOK



TABLE OF CONTENTS

	<u>Page</u>
SECTION 1 - DEPARTMENT AUTHORITY/GUIDELINES	1
Taxes and Fees Administered by Michigan Department of Treasury	1
Disclosure and Power of Attorney	2
Form 151 POWER OF ATTORNEY AUTHORIZATION.....	3
Tax Billing and Appeals Process	5
Notifying Taxpayer of Tax Liability	5
Billing Process	5
Fair Collection of Tax.....	6
Payment Arrangements.....	7
Appeals Process	7
Penalty and Interest Charges and Waivers	8
Interest	8
Penalties	8
Interest Waivers	9
Penalty Waivers	9
SECTION 2 - EMPLOYEE/TAXPAYER GUIDELINES	11
Employee Responses to Taxpayer Inquiries	11
Taxpayer Rights and Responsibilities.....	12
Courtesy and Consideration.....	12
Privacy and Confidentiality	12
Taxpayer Information and Help.....	12
Taxpayer Responsibilities.....	13
Taxpayer Contact.....	13
Field Audit	13
Employee Ethics	14
Employee Conduct.....	15
Employee Ethics	15
Fairness and Impartiality	15
Dealing With Hostile Taxpayers.....	15
Disclosing Confidential Tax Information	15
Unbecoming Conduct	16
Conflict of Interest.....	16
Disclosing Conflict of Interest.....	17
Supplemental Employment.....	17
Following Departmental Policies and Procedures	18
Audit and Collection Goals or Quotas in Employee Evaluation Prohibited.....	18

	<u>Page</u>
SECTION 3 - AUDIT GUIDELINES	19
Tax Audits.....	19
Legal Authority.....	19
Purpose.....	19
Scope.....	19
Audit Selection	19
Audit Assignment	19
Pre-Audit Plan.....	20
Conduct the Audit.....	20
Present the Findings.....	20
Report the Findings.....	20
Quality Review	21
The Tax Auditor.....	21
Introduction.....	21
Education	21
Taxpayer Contact.....	21
Training.....	22
Taxpayer Preparation for the Audit	22
Be Knowledgeable.....	22
Be Prepared	22
Be Cooperative	23
Post Audit	23
Auditor Conduct	23
Taxpayer-Auditor Relationship	23
Respecting to Taxpayer’s Practices, Property and Privacy	23
Informing the Taxpayer	24
Audit Standards.....	24
General Standards	24
Field Work Standards	25
Reporting Standards.....	25
SECTION 4 - COLLECTION GUIDELINES	26
Collection Enforcement Action	26
Introduction.....	26
Recording Liens.....	26
Releasing Liens and Levies	26
Properties Exempt From Levying.....	27
Corporate Officer Liability	27
Successor Liability.....	27

SECTION 1 - DEPARTMENT AUTHORITY/GUIDELINES

TAXES AND FEES ADMINISTERED BY MICHIGAN DEPARTMENT OF TREASURY

The following chart lists taxes and fees administered by the Michigan Department of Treasury. The taxpayer may expect a tax examination by a representative of the Department if he or she is liable for one or more of these taxes.

<u>Tax/Fee</u>	<u>Legal Authority</u> <u>(Public Act, Year)</u>
Airport Parking	PA 248, 1987
Aviation Fuel	PA 327, 1945
Cigarette - see Tobacco Products	
Diesel Motor Fuel	PA 150, 1927
Environmental - see MUSTFA	
Estate	PA 54, 1993
Farmland and Open Space Preservation Tax Credit	PA 116, 1974
Gasoline	PA 150, 1927
Income	PA 281, 1967
Income Tax Withholding	PA 281, 1967
Inheritance*	PA 54, 1993
Intangibles**	PA 30, 1939
Liquefied Petroleum Gas	PA 150, 1927
Michigan Underground Storage Tank Financial Assurance Act	PA 518, 1988
Motor Carrier Fuel	PA 119, 1980
Off Road Vehicle, Watercraft and Snowmobile Fuel	PA 221, 1987
Real Estate Transfer	PA 330, 1993
Sales	PA 167, 1933
Severance of Oil and Natural Gas	PA 48, 1929
Single Business	PA 228, 1975
State Convention Facility	PA 106, 1985
Tobacco Products	PA 327, 1993
Use	PA 94, 1937

* For deaths before 10/1/93 or generation skipping transfers occurring after 12/31/92 but before 10/1/93.

** Repealed per PA 5 of 1995 effective January 1, 1998.

DISCLOSURE AND POWER OF ATTORNEY

Under the Internal Revenue Code and the Revenue Act, Department of Treasury employees and anyone acting on behalf of the Department are required to protect the confidentiality of taxpayer information, including information from tax returns, account information and filing records. Inappropriate or unauthorized disclosure is a felony punishable by fines and imprisonment and is grounds for immediate dismissal of the employee or representative of the Department making the unauthorized disclosure.

Disclosure may be made only to the taxpayer of record as indicated on the registration form and/or returns filed by a business or on the tax returns in the case of individual filers. A taxpayer may elect to authorize disclosure to other parties by completing form 151 POWER OF ATTORNEY AUTHORIZATION, or its equivalent signed release, giving the Department specific permission to discuss his or her account with the person listed on the Power of Attorney form.

Taxpayers may request that the Power of Attorney be for specific time periods and for specific types of taxes and issues. See sample Power of Attorney form and the instructions that appear on the reverse side of the form on pages 3 and 4.

Taxpayers may request that an authorized representative listed on the Power of Attorney form receive copies of notices and/or correspondence sent to the taxpayer. Requests must be made in writing and directed to the appropriate taxing division or the Collection Division.

If the taxpayer is deceased, the decedent's representative must provide court documents naming him or her as authorized representative of the decedent and decedent's estate.

Power of Attorney Authorization

Issued under authority of the Revenue Act. Filing is voluntary.

Complete this form if you wish to appoint someone to represent you to the State of Michigan on tax, benefit or debt matters, or if you wish to revoke or change your current power of attorney representation. Read the instructions on page 2 before completing this form.

PART 1: TAXPAYER INFORMATION																																					
Taxpayer Name and Address (include spouse's name if joint return)		If a business, enter DBA, trade or assumed name.																																			
Telephone Number		Fax Number																																			
FEIN or Treasury Account No.		Unemployment Compensation Account No.																																			
Taxpayer SSN	Spouse SSN	E-mail Address																																			
PART 2: REPRESENTATIVE INFORMATION AND AUTHORIZATION DATES																																					
Your authorized representative may be an organization, firm, or individual. If your representative is not an individual, designate a contact person. Submit a separate form for each representative.																																					
Representative Name and Address		Contact Name (if applicable)	E-mail Address																																		
Telephone Number		Fax Number																																			
Beginning Authorization Date (mm/dd/yyyy)		Ending Authorization Date (mm/dd/yyyy) *																																			
PART 3: TYPE OF AUTHORIZATION																																					
<input type="checkbox"/> GENERAL AUTHORIZATION Authorizes my representative to: (1) inspect or receive confidential information, (2) represent me and make oral or written presentations of fact and or argument, (3) sign returns, (4) enter into agreements, and (5) receive mail (includes forms, billings, and payment notices). This authorization applies to all tax/non-tax matters and for all years or periods <div style="float: right; text-align: right;"> Treasury <input type="checkbox"/> BW&UC** <input type="checkbox"/> </div>																																					
<input type="checkbox"/> LIMITED AUTHORIZATION Select the type of authorization by checking the appropriate boxes in Section A and Section B. <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="background-color: #e0e0e0;">Section A - Treasury</th> <th colspan="2" style="background-color: #e0e0e0;">Section B - BW&UC**</th> </tr> <tr> <th style="font-size: small;">All Tax/Nontax Matters</th> <th style="font-size: small;">Only as Specified Below</th> <th style="font-size: small;">All Tax/Nontax Matters</th> <th style="font-size: small;">Only as Specified Below</th> </tr> </thead> <tbody> <tr> <td>1. Inspect or receive confidential information</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>2. Represent me and make oral or written presentation of fact or argument</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>3. Sign returns</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>4. Enter into agreements</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>5. Receive mail (includes forms, billings and payment notices)</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table>					Section A - Treasury		Section B - BW&UC**		All Tax/Nontax Matters	Only as Specified Below	All Tax/Nontax Matters	Only as Specified Below	1. Inspect or receive confidential information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. Represent me and make oral or written presentation of fact or argument	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. Sign returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. Enter into agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Receive mail (includes forms, billings and payment notices)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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5. Receive mail (includes forms, billings and payment notices)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																	
Type of Tax (Income, Unemployment, Sales, Student Loan, etc.)	Type of Form (MI-1040, BW&UC, etc.) or Assessment No.	Year(s) or Period(s)																																			
PART 4: CHANGE IN POWER OF ATTORNEY REPRESENTATION OR REVOCATION																																					
<input type="checkbox"/> CHANGE IN POWER OF ATTORNEY REPRESENTATION: This form replaces all earlier powers of attorney, except those attached, on file for the same tax/non-tax matters and years or periods covered by this Power of Attorney. <div style="float: right; text-align: right;"> Treasury <input type="checkbox"/> BW&UC** <input type="checkbox"/> </div>																																					
<input type="checkbox"/> REVOKE PREVIOUS AUTHORIZATION: I revoke all powers of attorney submitted and will represent myself in all tax matters. Attach copies of any Powers of Attorney that will remain in effect concurrent with this new authorization. <div style="float: right; text-align: right;"> Treasury <input type="checkbox"/> BW&UC** <input type="checkbox"/> </div>																																					
PART 5: TAXPAYER'S SIGNATURE																																					
If signed by a corporate officer, partner or fiduciary on behalf of the taxpayer, I certify that I have the authority to execute this power of attorney.																																					
Signature	Name or Title Printed or Typed	Date																																			
Spouse's Signature	Name or Title Printed or Typed	Date																																			

* If no Ending Authorization Date is provided, the above-named representative will be authorized to represent you until you notify the Michigan Department of Treasury or Bureau of Workers' & Unemployment Compensation (BW&UC) in writing that this Power of Attorney is revoked.

** Bureau of Workers' & Unemployment Compensation is abbreviated throughout this form as BW&UC.

Instructions for Power of Attorney Authorization (Form 151)

Complete and file a *Power of Attorney Authorization* (Form 151) if you wish to appoint an individual, firm, or organization as your representative in tax or debt matters before the State of Michigan. Failure to complete this form will prohibit Treasury or the Bureau of Workers' & Unemployment Compensation (BW&UC) from discussing or releasing your tax return/tax return information with or to another person including your spouse.

PART 1: TAXPAYER INFORMATION

Enter the taxpayer's name, address, telephone number, fax number, and e-mail address (if applicable). If the taxpayer is a business operating under another name, enter the DBA, trade or assumed name. Enter the Social Security number(s), federal employer identification number (FEIN) or other account number, whichever applies. Also enter the UC employer number if this power of attorney applies to any state unemployment matters. If spouses are designating the same representative, enter the spouse's name, address (if different) and Social Security number.

PART 2: REPRESENTATIVE INFORMATION AND AUTHORIZATION DATES

You must submit a separate form for each representative. Enter the authorized representative's telephone number, fax number, and e-mail address (if applicable). If your representative is not an individual, designate a contact person. Indicate the beginning and ending dates of authorization.

PART 3: TYPE OF AUTHORIZATION

Check the **General Authorization** box to allow your representative to act on your behalf to do all of the following: (1) inspect and receive confidential information, (2) represent you and make oral or written presentations of act and/or argument, (3) sign returns, (4) enter into agreements, and (5) receive all (includes forms, billings, and payment notices). **This authorization applies to all tax/non-tax matters and for all years or periods.**

You may restrict your representative's authorization to act on your behalf by checking the **Limited Authorization** box, and checking the appropriate boxes in Section A and/or B. To limit the authorization for specific tax matters, check the appropriate "Only as Specified Below" boxes, and indicate the type of tax, type of form, and years/periods for which you are granting authorization in the space provided.

Check this box if your representative is authorized to:

1. Inspect or receive confidential information
2. Represent you and make oral or written presentation of fact or argument.
3. Sign tax returns.
4. Enter into agreements (such as payment plans).
5. Receive mail.

PART 4: CHANGE IN POWER OF ATTORNEY REPRESENTATION OR REVOCATION

Unless otherwise specified, this Power of Attorney Authorization replaces or revokes any previous power of attorney authorizations on file with the Michigan Department of Treasury or the Bureau of Worker's & Unemployment Compensation for the same tax matters identified on this form.

You must identify any previous authorizations that are to remain in effect, and attach a copy of the authorizations to this form when filed.

PART 5: TAXPAYER SIGNATURE

You and your spouse, if a joint return, must sign and date the form.

FILING

Except as noted below, mail this form to the Registration Section. Treasury will forward your form to BW&UC.

Customer Contact Center
Registration Section
Michigan Department of Treasury
P.O. Box 30477
Lansing, MI 48909-7977

If the Michigan Accounts Receivable Collection System (MARCS) has requested you to file this form, mail your completed form and any attachments to:

MARCS
P.O. Box 30158
Lansing, MI 48909-7658

If a district office representative has requested you to file this form, mail it to that representative.

If the Treasury Collection Division has requested you to file this form, mail it to:

Collection Division
Michigan Department of Treasury
P.O. Box 30199
Lansing, MI 48909

If BW&UC has asked you to file this form, mail it to:

BW&UC Tax Office
P.O. Box 8068
Royal Oak, MI 48068-8068
Or fax to: 313-456-2130 (for BW&UC only)

If you are an individual taxpayer (not representing a business), mail this form to:

Customer Contact Center
Individual Correspondence Section
Michigan Department of Treasury
Lansing, MI 48922

TAX BILLING AND APPEALS PROCESS

Notifying Taxpayer of Tax Liability

If the Department believes that a taxpayer owes tax, the appropriate tax division will send a LETTER OF INQUIRY to the taxpayer for the balance of taxes due. A LETTER OF INQUIRY states the Department's opinion that a taxpayer needs to furnish information or owes taxes to the State and the reason for that opinion. A LETTER OF INQUIRY shall also explain the procedure by which the person may initiate communication with the Department to resolve any dispute. The taxpayer has 30 days from the time the LETTER OF INQUIRY is sent to resolve the deficiency before a NOTICE OF INTENT TO ASSESS can be issued. The LETTER OF INQUIRY is not required if the taxpayer files a no remittance return, affirmatively admits that a tax is due and owing, or owes tax determined by an audit.

The appropriate tax division will send a LETTER OF INQUIRY when the returns filed do not agree with the amounts shown on the returns filed with the Internal Revenue Service. The letter will explain the specific item on the state and federal returns that do not agree and give the taxpayer the opportunity to provide documentation as to why the amount shown on the State return was different.

The appropriate tax division may also send a LETTER OF INQUIRY where comparisons have been made to records of other State agencies and it appears that the proper tax returns have not been filed and paid. In this case, the letter will identify the records matched and give a description of the proposed taxes due and the basis for concluding the taxes, the type of tax and the return period.

If a taxpayer registers a business with the Department, he or she may receive a reminder letter for the first sales, use and withholding tax return if the return was not filed by the due date.

Billing Process

If full payment is not received, the Department will take the following steps:

1. Collection Division will send a NOTICE OF INTENT TO ASSESS to the taxpayer for the balance of taxes due. The NOTICE OF INTENT TO ASSESS should include: (1) amount of tax the Department believes taxpayer owes; (2) reason for deficiency; and (3) statement advising taxpayer of right to an informal conference, the requirement of a written request by taxpayer for informal conference that includes taxpayer's statement of contested amounts and an explanation of dispute and 30-day time limit for that request. If the taxpayer disagrees with the amount due, an informal conference may be requested within 30 days of the notice.
2. If the taxpayer does not make payment or present correcting information or request an informal conference within 30 days after receiving the NOTICE OF INTENT TO ASSESS, Collection Division will send a BILL FOR TAXES DUE (FINAL ASSESSMENT) to the taxpayer.

3. If the taxpayer does not make payment or payment arrangements with Collection Division within 35 days after receiving the BILL FOR TAXES DUE (FINAL ASSESSMENT) and does not appeal the assessment, the Collection Division:
 - A. May intercept paychecks.
 - B. May levy bank accounts.
 - C. Will intercept refund monies owed to the taxpayer by the State of Michigan and apply to taxpayer debts.
 - D. Will apply penalty and interest as long as there is a tax balance due. (Payments are applied first to interest, then to penalty, and finally to tax due.)
 - E. Will place liens on taxpayer homes, businesses or personal property to protect the State's interest. If taxpayer wishes to sell property, the Department will send a representative to the sale to accept full payment of taxpayer's liability.
 - F. In extreme cases, will issue jeopardy assessment to freeze taxpayer assets if at any time it is believed that taxpayer is planning to sell or hide property to avoid seizure. Taxpayer will not be able to withdraw money from bank accounts or transfer the title of any property owned.

Taxpayers can avoid enforcement actions by taking immediate steps to resolve their tax debts when the Department first contacts them. If a taxpayer cannot pay all of his or her taxes due at any time during the billing process, he or she can contact Collection Division to request an installment agreement (monthly payments).

Fair Collection of Tax

Taxpayers who receive a LETTER OF INQUIRY stating that they owe additional taxes and who dispute the amount owed have the right to ask the Department to send them a NOTICE OF INTENT TO ASSESS so that they can file an appeal.

Taxpayers who receive bills from the Department should check their bills to make sure that the bills are correct. If the bills are incorrect, taxpayers should notify the Department right away. Taxpayers have the right to have their bills adjusted if they are incorrect.

If taxpayers do not understand the reason for their bills, they may call the tax division at the number listed in the top right corner of the NOTICE OF INTENT TO ASSESS or the BILL FOR TAXES DUE (FINAL ASSESSMENT). Taxpayers should forward their correspondence about original or amended returns or questions about payments in response to the bills to:

Michigan Department of Treasury
Collection Division
P.O. Box 30199
Lansing, MI 48909

Payment Arrangements

Taxpayers should make every effort to pay their bills in full. However, if a taxpayer is unable to make a full payment, the taxpayer should pay as much as he or she can and immediately contact the Department to request payment arrangements for the balance. The Department may ask for a complete financial statement from the taxpayer to determine how the taxpayer can pay the amount due. If the taxpayer cannot borrow the amount due and does not have sufficient disposable assets from which full payment could be made, the taxpayer may qualify for monthly payments under an installment agreement.

Appeals Process

Taxpayers have the right to appeal any billing at any time during the billing process. The steps in the appeal process are:

1. Taxpayer requests an informal conference with a Department of Treasury hearing referee within 30 days of receiving a NOTICE OF INTENT TO ASSESS and includes in the request the amount of tax being disputed, an explanation of complaint, and payment of any portion of tax bill not being disputed.
2. A hearing date and place is set that is convenient for all parties. The Department sends out a notice for informal hearing to taxpayer that includes scope and nature of the subject of the informal conference. Taxpayer may bring an attorney or other representative with him or her to the hearing or have an authorized representative represent him or her at the hearing in his or her absence. Taxpayer may record the hearing after giving the Department prior notice. The Department, likewise, may record the hearing with prior notice to taxpayer.
3. The referee will make a recommendation to the State Treasurer who will review taxpayer's file, make a final decision and notify taxpayer of decision.
4. Taxpayer may appeal the State Treasurer decision to either:
 - A. Michigan Tax Tribunal within 35 days, which requires payment of the undisputed amount, **or**
 - B. Court of Claims (Ingham Circuit Court) within 90 days, which requires payment of the full amount of the assessment.
5. Taxpayer may appeal decisions of the Tax Tribunal or Court of Claims to the Court of Appeals and ultimately to the Michigan Supreme Court.

Taxpayers may choose to appeal directly to the Tax Tribunal within 35 days of receiving a BILL FOR TAXES DUE (FINAL ASSESSMENT) instead of going through the Department hearing referee. The Tax Tribunal will send the taxpayer the necessary information packet and information regarding the minimal filing fee which must be paid. Any portion of the tax, penalty, or interest due which is not being disputed must be paid prior to the Tax Tribunal review. The taxpayer may represent himself or herself or have an authorized representative represent him or her in the conference. The taxpayer has the right to appeal Tax Tribunal decisions to the Court of Appeals within 90 days after the Tax Tribunal decision. The taxpayer may appeal decisions of the Court of Claims or the Tax Tribunal to the Court of Appeals and ultimately to the Michigan Supreme Court.

If a protest to the NOTICE OF INTENT TO ASSESS is determined to be a frivolous protest or desire by taxpayer to delay or impede the administration of taxes, taxpayer is subject to penalties.

PENALTY AND INTEREST CHARGES AND WAIVERS

Interest

Interest must be paid on additional tax owed. The interest is figured from the due date of the return through the date of payment. The current interest rate for taxes due is determined each July 1 and January 1. It is equal to 1% above the adjusted prime rate. Interest is charged on the unpaid balance of tax due.

Penalties

Below is a chart of the various penalties and the reason they are incurred.

<u>Reason for Bill</u>	<u>Penalty Charges</u>
Failure to file or pay tax	<ul style="list-style-type: none"> For intents issued on or before February 28, 2003, each month or part of month 5% of tax, to maximum 50%. Minimum \$10. Interest applies. For intents issued after February 28, 2003, 5% if not more than 2 months. Additional 5% per month or part of month, to maximum 25%.
Negligence in filing tax	10% of tax. Minimum \$10. Interest applies.
Intentional disregard in filing tax	25% of tax. Minimum \$25. Interest applies.
Fraudulent evasion of tax	100% of tax. Interest applies.

<u>Reason for Bill</u>	<u>Penalty Charges</u>
Bad check	<ul style="list-style-type: none"> • For intents issued on or before February 28, 2003, 25% of tax paid by check. • For intents issued after February 28, 2003, \$50.
Failure to file and pay tax which qualified for amnesty	50% of tax.
Frivolous protest of tax due	25% of tax. Minimum \$25.
Failure to file information return or report	\$10 each day, to maximum \$400 each return.

In some cases, more than one penalty will be applied based on the circumstances. Taxes due based on an audit of the taxpayer's records may have a 10% negligence, 25% intentional disregard or a 100% fraud penalty applied. In addition, the failure to pay penalty (5% per month/50% maximum **on or before February 28, 2003** or 5% per month/25% maximum **after February 28, 2003**) will be applied to the unpaid balance of taxes due from an audit 30 days after the issuance of a NOTICE OF INTENT TO ASSESS.

Interest Waivers

Taxpayers may request waiver of interest on an assessed liability. Interest is a charge for use of money and is adjusted only in the following circumstances:

1. Litigation, including bankruptcy.
2. Penalty amounts posted to interest in error.
3. Department error.

Penalty Waivers

A taxpayer requesting a waiver of penalty must do so in writing and must explain his/her reason(s) for late payment of tax. If the taxpayer can demonstrate reasonable cause and meet the reasonable cause criteria, the Department will waive the penalty charge.

Examples that are illustrative, but not conclusive, in showing reasonable cause include:

1. Failure to file or pay is caused by the death or serious illness of the taxpayer responsible for filing.
2. Failure to file or pay is caused by the destruction of the taxpayer's records or the taxpayer's business by fire or other casualty.

3. Failure to file or pay personal taxes is caused by the prolonged unavoidable absence of the taxpayer responsible for filing and the taxpayer is precluded, due to circumstances beyond the taxpayer's control, from making alternate arrangements for filing or paying.
4. Showing that the completed return or payment was timely mailed (i.e., the United States postmark stamped on the envelope is dated on or before the due date set for filing the return, including extensions)
5. Showing that the delay or failure is caused by erroneous written information that has been prepared contemporaneously and given to the taxpayer by an employee of the Department.

SECTION 2 - EMPLOYEE/TAXPAYER GUIDELINES

EMPLOYEE RESPONSES TO TAXPAYER INQUIRIES

Employees and anyone acting on behalf of the Michigan Department of Treasury are expected to respond to taxpayer inquiries, written and verbal, in a prompt, courteous and professional manner.

An employee or individual acting on behalf of the Department who handles incoming telephone inquiries shall attempt to respond to the taxpayer's inquiry or direct the taxpayer to the appropriate party by providing the telephone number. In all cases, the employee/representative will maintain a pleasant voice, be courteous and professional, and provide the best service available to the taxpayer.

Employees and those acting on behalf of the Department shall respond to written inquiries according to established division policies which determine priority given to written correspondence and letter content. Written responses shall be accurate, professionally written, non-threatening, and contain a Department contact and telephone number.

Letters of inquiry shall be sent to taxpayers who are believed to owe additional tax prior to issuance of an actual assessment. Letters of inquiry must be non-threatening and must explain why additional tax is believed due and what the taxpayer must do to resolve the situation.

Department of Treasury employees and anyone acting on behalf of the Department are specifically prohibited from:

1. Discussing any account over the telephone or in writing with anyone other than the taxpayer of record or the taxpayer's authorized representative.
2. Using inappropriate language in any conversation with a taxpayer is grounds for disciplinary action. Racist, sexist or vulgar language is never appropriate.
3. Speaking in a hostile tone of voice or shouting at a taxpayer.
4. Threatening a taxpayer and/or his/her family.

It is the responsibility of each supervisor to monitor the behavior of employees/representatives on the telephone and to review outgoing correspondence for compliance.

If an employee or Departmental representative is found guilty of recklessly disregarding a law, rule, procedure, or written guidelines of the Department in administering a tax act, the taxpayer is entitled to damage awards.

TAXPAYER RIGHTS AND RESPONSIBILITIES

Courtesy and Consideration

Department of Treasury employees and individuals acting on behalf of the Department shall give taxpayers prompt, fair and courteous service. The Department's goal is to ensure that taxpayers' rights are protected so that taxpayers will have the highest confidence in the integrity, efficiency and fairness of the State of Michigan's tax system. Taxpayers have the right to file a complaint against Treasury employees/representatives who fail to provide this service.

Employees/representatives who have direct contact with the public should strive to discharge their duties in a professional manner, not engage in improper conduct in interaction with the public, and avoid the appearance of impropriety.

The Department of Treasury shall have a system for monitoring compliance with the standards of fair and courteous treatment of the public which shall include, and not be limited to, the ability of aggrieved persons to complain to the immediate supervisor of the individual who acts improperly, the ability of the Department to discipline that person who acts improperly, and the ability of the Taxpayer Advocate to respond to complaints from the public.

Privacy and Confidentiality

Department of Treasury employees and its representatives shall maintain the confidentiality of taxpayer information. Taxpayers have the right to have their personal and financial information kept confidential. They also have the right to know why the Department is asking them for information, exactly how any information they may provide will be used, and what might happen if they do not provide the information. Taxpayers have the right to file a complaint against Treasury employees/representatives who make unauthorized disclosures of confidential tax information.

Under the law, the Department may share a taxpayer's tax information with the Internal Revenue Service, tax agencies for other states, and local units of government within Michigan with whom the Department has information exchange agreements. Exchange with these agencies is performed under strict legal guidelines.

Taxpayer Information and Help

Taxpayers have the right to information and help in complying with tax laws. In addition to the basic instructions that are provided with the tax forms, the Department also makes other information available. Taxpayers can print tax forms online at www.michigan.gov/treasury, order tax forms by calling 1-800-827-4000 or order by fax by calling 517-241-8730 from a fax phone.

Taxpayers experiencing difficulty in clearing up tax matters can contact the Taxpayer Advocate Office by writing to:

Michigan Department of Treasury
Taxpayer Advocate Office
Lansing, Michigan 48922

If the tax problem is causing or will cause the taxpayer significant hardship, the Taxpayer Advocate will arrange for immediate review of the problem. While the case is under review, Collection Division will take no further enforcement action.

Taxpayer Responsibilities

Taxpayers are required to meet certain obligations under Michigan law. Taxpayers are responsible for filing their tax returns on time with correct payments when required and for ensuring that their returns are correct, no matter who prepares them.

Taxpayers shall keep accurate and complete records necessary for the proper determination of tax liability as required by law or rule of the Department.

Taxpayers have the right to plan their business and personal finances in such a way that they will pay the least tax that is due under the law. They are liable only for the correct amount of tax and any related penalties and interest. The Department's purpose is to apply the law consistently and fairly to all taxpayers and to collect only the actual amount due under the law.

Taxpayer Contact

Some returns are chosen for review by a random computer search. Returns selected for review are not necessarily chosen because of incorrect information and do not reflect negatively on taxpayers.

If a taxpayer's tax return is selected for review, the reviewer may need to verify some information with the taxpayer. This is usually handled through correspondence or by telephone. Personal interviews with taxpayers are usually not necessary. The taxpayer should provide the Department with whatever tax information is required to complete the review of the taxpayer's returns as quickly and as efficiently as possible.

Field Audit

If a taxpayer's tax return and supporting records are selected for field audit, an auditor is usually required to visit the taxpayer and conduct an interview. In tax audit situations, taxpayers have the right to:

1. Ask that the audit take place at a reasonable time in a convenient location.
2. Represent themselves, have other persons accompany them, or have other persons represent them in their absence with proper authorization.

3. Ask for and receive copies of the audit workpapers that show how the auditor determined changes to their taxes, if any.
4. Meet with the auditor to discuss audit determinations and related reports.
5. Meet with the audit supervisor to discuss disagreements with changes made to their taxes, if any.

EMPLOYEE ETHICS

The State Ethics Act (Public Act 196 of 1973, as amended) contains guidelines for ethical conduct by public officers or employees. A brief summary of the Act follows. All Michigan Department of Treasury employees and individuals acting on behalf of the Department are prohibited from:

1. Divulging confidential information to unauthorized persons prior to its authorized release to the public.
2. Representing his or her personal opinion as that of the Department.
3. Using State resources, property and funds for personal gain or benefit.
4. Soliciting or accepting a gift or loan of money, goods, services or other item or service of value for personal gain or benefit.
5. Engaging in a business transaction for personal gain or benefit.
6. Engaging in or accepting employment or rendering services for a private or public interest when that employment or service is incompatible or in conflict with official duties or affects the person's judgement or action in performing his or her duties.
7. Participating in the negotiation or execution of contracts, making loans, granting subsidies, fixing rates, issuing permits or certificates, or other regulation or supervision relating to a business entity where there is a financial or personal interest.

“Unethical conduct” is defined as a violation of the above standards, as written in Section 2 of this Act.

Employees and representatives of the Department must also comply with Civil Service Rules and Treasury policies and procedures regarding employee ethics (e.g., confidential information, conflict of interest, employee conduct, supplemental employment, etc.).

EMPLOYEE CONDUCT

Employee Ethics

Employees and those representing the Department must comply with Civil Service Rules and Treasury policies and procedures regarding confidential information, conflict of interest, employee conduct, supplemental employment and any other ethics and/or conduct-related policies and procedures. Below are general guidelines that employees/representatives must follow.

Fairness and Impartiality

Individuals must treat taxpayers, their employees and their representatives in a professional manner. Audit plans and actions must be fair and impartial. There should be no preconceived ideas about the taxpayer's business operations, internal controls, condition of books and records or the taxpayer's motives.

Dealing With Hostile Taxpayers

Taxpayers may appear hostile or take on an adversarial position because they feel intimidated by auditors' or collectors' presence. Employees/representatives are to show respect and courtesy to taxpayers at all times even though the same respect and courtesy may not be returned. The same professional courtesy prohibits employees and Departmental representatives from engaging in arguments with taxpayers.

Taxpayers do not have the right to be abusive with employees/representatives. If a taxpayer uses abusive language, attempts to intimidate, or otherwise threaten a Departmental representative, the individual must inform the taxpayer that his or her words or actions are abusive and/or offensive and then request the taxpayer to cease the abusive action. If taxpayer continues to be abusive, the employee/representative must inform the taxpayer that their business will be completed at a later date. The employee/representative is to inform his or her supervisor of the situation and/or of any threats to or assaults on the individual.

Under no circumstances should employees or representatives of the Department remain in an abusive or hostile environment or carry weapons. When necessary, security escorts will be used.

Disclosing Confidential Tax Information

Taxpayers have the right to expect that their tax returns and any related tax information obtained in the processing of their tax returns will not be improperly disclosed to unauthorized persons. Unauthorized disclosure of tax information could seriously damage the taxpayer's ability to conduct business and entitle the taxpayer to sue for damages.

The Department may take disciplinary action and/or seek felony charges against any current or former employees or anyone connected with the Department who make unauthorized disclosures. If an employee or representative is found to be criminally liable, he or she may face a maximum penalty of five years in prison, a fine of not more than \$5,000 and automatic dismissal from employment.

Under the Revenue Act, it is illegal for employees or individuals acting on behalf of the Department of Treasury to make improper disclosures to any unauthorized individual, including:

1. Unauthorized employee
2. Unauthorized family member
3. Unauthorized representative
4. Taxpayer's competitor.

It is also improper for employees to disclose confidential Treasury policies and procedures to any unauthorized individual regarding:

1. Audit selection and collection criteria
2. Internal verification codes
3. Treasury employee's address, telephone or other personal information
4. Confidential communications.

Confidential tax matter is protected from subpoena if the court order is for a non-tax matter. Disclosures can be made if disclosure is: (1) required for the proper administration of a tax law; (2) pursuant to judicial order sought by agency charged with the duty of enforcing or investigating support obligations; or (3) pursuant to a judicial order sought by any government agency charged with the responsibility for administering or enforcing criminal law.

Unbecoming Conduct

Employees/representatives are always subject to public scrutiny on the job and during off hours. The conduct of auditors and collectors should always be above board and beyond reproach. An auditor's or collector's credibility, and ultimately the Department's, may be damaged by the **appearance**, as well as the **actual performance**, of impropriety by the individual.

Unbecoming conduct by employees and Departmental representatives could seriously damage their ability to do their jobs effectively and includes the following:

1. Solicitations/acceptance of gifts, loans, services or any other item of value
2. Inappropriate or illegal use of drugs, including alcohol and other intoxicants
3. Improper care or use of vehicles on official state business
4. Offensive language or gestures.

Conflict of Interest

Employees/representatives are prohibited from participating in any outside business-related transactions or from divulging confidential information to unauthorized persons for personal financial gain (or financial gain for a member of the employee's immediate family) which is in any way connected to the employee's/representative's official state duties and/or access to confidential information.

Employees and representatives are specifically prohibited from:

1. Divulging or releasing, for personal financial gain or financial gain for a member of the employee's/representative's immediate family, any confidential information which is not by law, rule, regulation or court order available to the general public.
2. Engaging in any business transaction or private arrangement for personal financial gain or financial gain for a member of the employee's/representative's immediate family which is based on the employee's/representative's position or the employee's/representative's access to confidential information.
3. Soliciting, accepting or agreeing to accept anything of value under any circumstances which could reasonably be expected to influence the manner in which the employee/representative performs work or makes decisions.
4. Granting or making available to any person any consideration, treatment, advantage or favor beyond general practices for similar circumstances.
5. Representing or acting as agent for any private interests, whether for compensation or otherwise, in any transaction in which the State has a direct and substantial interest and which could reasonably be expected to result in a conflict between the private interests of the employee/representative and the employee's/representative's official State responsibilities.
6. Having any substantial interest in any business or industry where the employee/representative in a significant decision-making capacity participates on behalf of the State in the regulation, enforcement, auditing, licensing or purchasing of any goods or services.

Disclosing Conflict of Interest

All State employees and individuals acting on behalf of the Department must disclose to their Personnel Officer all personal or financial interests and the interests of members of their immediate families, in any business or entity with which they have direct contact while performing official duties. This includes auditors who audit financial records of businesses or individuals and their supervisors.

Supplemental Employment

Outside employment is permitted only when such employment does not in any way conflict with the individual's work hours or State employment or in quantity or interest conflict in any way with satisfactory and impartial performance of duties. Prior written approval must be obtained from the division administrator and the Personnel Officer before the employee/representative engages in any outside employment. Employees must notify the division administrator and Personnel Officer of any contemplated changes in outside employment.

Employee/representative requests for supplemental employment will be reviewed on a case-by-case basis. Because of the highly sensitive and confidential nature of the auditor's or collector's position, duties and work, supplemental employment will only be approved when there is clearly **no** conflict or adverse affect on the auditor's or collector's duties with the Michigan Department of Treasury.

Following Departmental Policies and Procedures

Employees and individuals representing the Department should observe applicable laws and Departmental policies and procedures in their daily interactions with others in the Department. They are to:

1. Prepare and file personal tax returns.
2. Operate a vehicle for State business with valid licenses.
3. Properly account for time spent on official State business.
4. Properly account for expenses incurred on official State business.
5. Use State resources provided for State business as efficiently as possible.
6. Give the Department due consideration and loyalty as employees of the Department.

AUDIT AND COLLECTION GOALS OR QUOTAS IN EMPLOYEE EVALUATION PROHIBITED

The use of an audit or collection dollar goal or quota for evaluating an employee or representative of the Michigan Department of Treasury is expressly prohibited. The Department, through its designated management team, will develop and administer appropriate standards for evaluating performance.

SECTION 3 - AUDIT GUIDELINES

TAX AUDITS

Legal Authority

Authority to conduct audits for the taxes administered by the Michigan Department of Treasury is provided for in Act 122 of the Public Acts of 1941, Section 3(a), as amended, being section 205.3a of the Michigan Compiled Laws.

Purpose

The purpose of tax audits is to determine if taxpayer returns have been prepared and filed correctly. This usually involves an examination conducted at taxpayer's place of business. During the examination process, the auditor reviews the facts, circumstances, records and other pertinent information that support the taxpayer's return. The audit work may take as little as a few days or as long as a few months, depending on the complexity of the audit situation (i.e., size of business, diversity of operations, etc.). Ultimately, the auditor makes a final determination that the taxpayer's return is:

1. Filed correctly (no changes),
2. Overpaid (taxpayer is entitled to a credit), **or**
3. Underpaid (taxpayer owes additional tax).

Scope

The specific scope of taxpayer audits is dependent on several factors:

1. Tax involved (type and number)
2. Records (complexity, quality, location and availability)
3. Taxpayer type (individual, proprietorship, corporation, etc.).

While the specific scope of the audit may vary, the following discussion generally describes the audit process.

Audit Selection

It is not possible to audit all of the taxpayers in Michigan with the limited resources that are available. Instead, risk assessment models exist that objectively evaluate taxpayers for audit.

Audit Assignment

Once selected for an audit, the taxpayer's returns and related tax filing information become part of an audit case file. The assignment will be made to an auditor working in the same area where the taxpayer resides or has his or her place of business, provided current staffing allows such assignment.

Pre-Audit Plan

The auditor's first step is to develop an audit plan. This plan details the specific taxes to be reviewed, questions to ask taxpayer during interview, initial review of taxpayer's business operations, what records are needed, if those records will be tested, which tests will be used, and the degree of internal control that exists within taxpayer's accounting process. If the taxpayer has a high level of internal control over his or her accounting process, the auditor will place more reliability on the taxpayer's supporting records. The auditor is expected to discuss the audit plan with the taxpayer or the taxpayer's authorized representative prior to conducting relevant procedures and tests.

Conduct the Audit

The auditor gathers data through a combination of observing the taxpayer's operation, asking questions, reviewing selected accounting procedures, records, and third-party verifications. The auditor correlates the findings with the taxpayer's return and makes a determination of the accuracy of the return.

Present the Findings

The auditor presents the results of the audit to the taxpayer when the audit work is completed and the determination is final. The auditor is expected to discuss the determination with the taxpayer or the taxpayer's authorized representative. If any changes were made to the tax liability, the auditor will explain why additional taxes were found due or why taxes were overpaid.

If the taxpayer owes tax after the audit is completed and agrees with all or part of the determination, the auditor will accept full payment of the undisputed portion of the determination.

If the taxpayer disagrees with the audit findings, he or she has the right to discuss them with the immediate audit supervisor and/or the regional audit manager. Finally, the taxpayer has the right to appeal all or part of the audit determination within thirty days of receiving a NOTICE OF INTENT TO ASSESS the determination.

Report the Findings

The auditor prepares a written report at the close of the audit. This report includes information about:

1. Audit methodologies and procedures
2. Results of audit(s)
3. Penalty and interest recommendations
4. Taxpayer's agreement/disagreement with audit findings
5. If taxpayer disagrees with the findings, the taxpayer's basis for disagreement and intent to appeal.
6. Payment or refund procedures.

Quality Review

A tax audit is subject to two levels of review:

1. Review by immediate audit supervisor
2. Review by regional audit manager.

Steps are immediately taken to correct any errors, omissions or oversights detected during the review process. Any changes are communicated to the auditor and ultimately to the taxpayer through the auditor. The taxpayer has the right to receive copies of work papers that reflect changes made during the review process.

THE TAX AUDITOR

Introduction

Michigan's tax structure relies on a system of voluntary compliance. The taxpayer in preparing the tax return acknowledges that he or she is subject to a particular tax, owes a certain amount and regularly remits the amount owed.

The tax auditor is the visible presence needed to guarantee the success of Michigan's system of voluntary compliance. The tax auditor and the tax audit provide:

1. A visible presence in the taxpayer community.
2. Revenues to support State government programs that benefit all Michigan residents.
3. Positive encouragement to the taxpayer community to remit their fair share of the total cost of government.
4. A level playing field so that all members of the taxpayer community can compete equally.

Education

The tax auditor is a professional who must obtain at least a baccalaureate degree with a major in accounting. The typical auditor within the Michigan Department of Treasury is encouraged to pursue advanced degrees or to become a Certified Public Accountant.

Taxpayer Contact

As a representative of State government, the auditor has daily dealings with taxpayers, their employees, and their representatives. The type of contact ranges from individual income taxpayer to small business taxpayer to some of the largest multi-state and multi-national corporations located throughout the 50 states. The techniques and procedures used by the auditor during a tax audit vary according to the taxpayer's unique situation and the complexity of the taxpayer's return. No matter how varied the audit situation, the auditor is required to make a determination that a taxpayer's return is:

1. Filed correctly (No Deficiency Audit),
2. Overpaid (Credit Audit), **or**
3. Underpaid (Deficiency Audit).

In addition, the auditor is always alert for any potential tax liability that may exist where no return was filed.

Training

A new auditor must undergo a rigorous training program that spans two to three years. The training involves a combination of classroom and on-the-job training. All auditors receive additional training each year.

TAXPAYER PREPARATION FOR THE AUDIT

Note: This section is written for the taxpayer being audited and is intended to guide the taxpayer into having a positive and successful audit experience.

Be Knowledgeable

Make yourself aware of specific taxes, rules and regulations that apply to your situation. This is a key to peace of mind when the tax auditor calls. You need to be aware of what the statutes require and what you must do to substantiate compliance.

Be Prepared

When the tax auditor contacts you, there are certain questions you should ask so that you can be prepared and know what to expect.

1. What taxes will be covered in the audit?
2. What timeframe or period will be covered by the audit?
3. What records will be needed during the audit?
4. When will the audit work begin?
5. How long will the audit work take?

Once you know the answers to these questions, you can:

1. Gather the necessary records together.
2. Find a location readily available to you and the auditor.
3. Provide the auditor with a suitable workspace.

In turn, the auditor will have a number of questions for you.

1. How does your business operate?
2. Who is responsible for gathering tax information?
3. Who is responsible for recording tax information?
4. Who makes the business and tax-related decisions?

5. What criteria are used to validate tax-exempt transactions?
6. What is your method of accounting?
7. What internal controls exist within your accounting and tax system?

If you are sufficiently prepared, you can answer these questions and provide the necessary supporting documentation.

Be Cooperative

The auditor is performing a job required by law. Throwing up roadblocks or conducting yourself in a disrespectful or unprofessional manner in the hopes of discouraging the auditor may result in the opposite effect. Similarly, if the auditor fails to be prompt, fair and courteous, you have the right to file a complaint. Cooperation is a mutual activity.

Post Audit

You and your representatives must review the audit determination with the auditor. Corrective action should be taken as soon as possible to guarantee proper reporting in future periods. If you do not understand the audit determination or do not implement effective remedies, you may subject yourself to penalties in subsequent audits.

AUDITOR CONDUCT

Taxpayer-Auditor Relationship

To complete an audit successfully, auditors and taxpayers need to work together. The nature of the work that auditors are required to perform may be perceived as threatening by the taxpayers; however, the relationship between taxpayers and auditors need not be adversarial. In order to facilitate cooperative relationships, auditors are required to:

1. Work with the taxpayers to obtain information needed to complete the audit.
2. Explain to the taxpayers, in clear terms, the findings of the audit and the propriety of the audit recommendations.
3. Convey to the taxpayers a positive public image of State government at work.

If the auditor is not complying with these requirements, the taxpayer has the right to discuss the situation with the audit supervisor.

Respecting the Taxpayer's Practices, Property and Privacy

Taxpayers have the right to expect the least amount of disruption to their business operations and to expect that auditors will not alarm their customers, their employees or their representatives or discuss sensitive tax matters with unauthorized personnel. Socializing with the taxpayer and the taxpayer's customers or employees disrupts the taxpayer's business workflow and is inappropriate conduct for auditors.

Auditors are expected to conform to the taxpayer's hours and business practices when working on-site, including limiting lunch time to no more than one hour. Auditors must secure approval from taxpayers before using any office equipment (e.g., telephone, adding equipment, copying machine, etc.) and coffee/lunchroom facilities. Auditors should be absolutely certain that they are not using the taxpayer's office equipment for anything other than business purposes and that it is used at the taxpayer's convenience, not theirs. If the auditor is a smoker, the auditor is expected to ascertain and conform to the taxpayer's smoking policy.

Informing the Taxpayer

Taxpayers and their designated representatives have the right to be kept informed throughout the conduct of the audit. Auditors are responsible for keeping taxpayers informed on:

1. Audit objectives and methodologies
2. Progress of the audit(s)
3. Procedures and tests being performed
4. Audit results
5. Appeal rights
6. Payment or refund procedures.

Determinations of tax liability are based on objective audit methodologies and procedures. Auditors will not discuss audit results with taxpayers until sufficient procedures provide competent and relevant evidence to support the auditor's findings. Audit determinations are only made after the auditor has completed the fieldwork, left the taxpayer's premises and discussed the test results with the audit supervisor.

AUDIT STANDARDS

General Standards

Auditors are expected to comply with *Government Auditing Standards (2003 Revision)*, commonly referred to as the *Yellow Book*. The American Institute of Certified Public Accountants (AICPA) issued the auditing and attestation standards described in this publication. Taxpayers may review the standards at the Web site of the U.S. Government Accounting Office (GAO) at <http://www.gao.gov/govaud/ybkol.htm>, or may request a printed copy from the Government Printing Office.

The tax audit is to be performed by a person(s) having adequate technical training and proficiency as an auditor. In all matters relating to the assignment, an independent and unbiased mental attitude is to be maintained by the auditor(s). Due professional care is to be exercised in performing the examination and preparing the work papers, schedules, exceptions, summaries and reports.

Field Work Standards

The audit work is to be adequately planned by the auditor-in-charge. If assisting auditors are required, they are to be given proper direction and instruction.

There is to be a proper study and evaluation of the existing internal controls for the accrual and reporting of tax liabilities. Such study will form a basis to measure the degree of reliance placed on the internal controls in determining the scope of the audit program: objectives, methodologies, procedures and tests.

Sufficient competent evidential matter is to be obtained through inspection, observation, inquiry and confirmation to afford a reasonable basis for a determination of no change in tax liability, tax overpayment or tax deficiency.

Reporting Standards

The audit report shall:

1. State whether or not an adequate system of internal controls exists to accurately accrue and report the proper tax liability.
2. State whether or not the tax returns, as filed, are prepared according to existing tax statutes, rules, regulations and instructions.
3. State whether or not such practice has been consistently observed in the current period in relation to the preceding periods.
4. Adequately disclose the information, tests, techniques and procedures used to determine the deficiency or credit, or the accurate reporting of the tax liability for the period(s) involved.
5. Disclose, if the evidential matter warrants, a recommendation for penalty and interest, along with the basis for the recommendation, and the statutory authority providing for the penalty and interest.

SECTION 4 - COLLECTION GUIDELINES

COLLECTION ENFORCEMENT ACTION

Introduction

Collection Division will not take any enforcement action (i.e., record a tax lien, seize property or wages, etc.) until after appropriate notice and due process has been approved.

Taxpayers can stop the collection process at any stage by paying the assessed balance due in full. Once a tax account has reached the enforcement stage, Collection Division may take enforcement action to secure payment.

Recording Liens

Collection Division may record a tax lien against the taxpayer. The lien may be recorded with the county Register of Deeds for liens against the taxpayer's property or with the Department of State for liens against personal property. A recorded tax lien is a public record and may affect a taxpayer's credit rating.

Releasing Liens and Levies

If a lien is placed and the debt for which it was placed is satisfied, Collection Division must release the lien in 20 business days. If the lien was placed improperly, Collection Division must withdraw the lien in five business days.

Likewise, if a liability for which a levy has been placed is satisfied, Collection Division must release the levy in 10 business days. If the levy was placed improperly, Collection Division must release the levy in three business days.

If a lien has been placed improperly, Collection Division will issue a CERTIFICATE OF WITHDRAWAL OF STATE TAX LIEN to remove the lien from the records of the Register of Deeds and/or Department of State, Uniform Commercial Code Section. Also, if a person is required to pay a fee to the Department, a bank, or other financial institution as the result of an erroneous recording or filing of a lien, or an erroneous issuance and service of a WARRANT or WARRANT-NOTICE OF LEVY, the Department will reimburse fees to that person upon written request with proper documentation.

If a tax lien attaches to the wrong person or innocent third party, Collection Division can issue a CERTIFICATE OF NON-ATTACHMENT. The certificate is issued only after Collection Division has reviewed the evidence and determined that the requester is in fact not the assessed taxpayer.

Collection Division can issue a SPECIFIC RELEASE OF LIEN to release tax liens on specific property or entities which have outstanding tax assessments. In the case of the taxpayer selling real estate, the requester must provide proof of senior recorded interests in the property to be sold and the balance due on each, and distribute the proceeds from the real estate sale to the Department.

Properties Exempt From Levying

If Collection Division representatives must seize (levy on) property, the taxpayer has the legal right to keep the following assets:

1. A reasonable amount of personal belongings, clothing, furniture and business or professional books and tools
2. Unemployment, worker's compensation and certain pension benefits
3. Court-ordered and child support payments
4. Mail
5. A predetermined amount of wages, salaries and other income (\$75 exemption per week, plus \$25 for each legal dependent).

If at any time during the collection process a taxpayer does not agree with the collection representative, the taxpayer can discuss his or her case with the collection supervisor.

Corporate Officer Liability

If Collection Division believes that a taxpayer is a corporate officer responsible for ensuring that a corporation prepared its returns or paid the taxes and the taxes were not paid, Collection Division may hold the taxpayer personally liable for the unpaid taxes and any related penalties and interest. A taxpayer assessed as a corporate officer has the same appeal rights as other taxpayers.

Successor Liability

If a taxpayer purchases an active or closed business or its stock of goods and the business owes taxes, the purchaser may be held liable as a successor for the unpaid taxes. A purchaser may avoid the possible liability at the time of the purchase by requiring the seller to provide a CLEARANCE CERTIFICATE from Collection Division stating that no taxes are due. Otherwise, the purchaser must develop and set aside (escrow) sufficient money to pay the taxes, interest and penalties owed by the seller. The purchaser's liability for the seller's tax debts is limited to the fair market value of the business or assets less the sale proceeds applied to debts for which there is a superior secured interest.